

Message Text

CONFIDENTIAL

PAGE 01 JAKART 01644 071028Z

13

ACTION EA-10

INFO OCT-01 ISO-00 XMB-02 EB-07 AID-05 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 RSC-01 TRSE-00 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 PA-01 PRS-01 USIA-06

DLOS-03 COA-01 H-01 L-02 OES-03 FAA-00 DOTE-00 /066 W
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R 070910Z FEB 75

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 6495

INFO AMEMBASSY KUALA LUMPUR

AMEMBASSY SINGAPORE

AMCONSUL MEDAN

AMCONSUL SURABAYA

C O N F I D E N T I A L JAKARTA 1644

E.O. 11652: GDS

TAGS: EGEN ID

SUBJ: VIEWS OF MINISTER OF COMMUNICATIONS

REF: STATE 24302

1. SUMMARY: MEETING WITH MINISTER COMMUNICATIONS
CONFIRMS EXISTENCE HIGH LEVEL UNCERTAINTY REGARDING
INTENTIONS US TOWARD INDONESIA ON MATTERS OF AID,
TRADE, LOANS, LAW OF SEA, AND CIVIL AVIATION. END SUMMARY

2. ON FEBRUARY 6 I MET WITH MINISTER OF COMMUNICATIONS
EMIL SALIM TO CONVEY, IN ACCORDANCE INSTRUCTIONS REFTTEL,
NOTICE OF EXIM APPROVAL OF CREDIT FOR DOMESTIC SATELLITE.
I AM REPORTING ENSUING CONVERSATION IN SOME DETAIL SINCE
IT CONFIRMS AUTHORITATIVELY REPORTS WE HAVE HAD OF
SERIOUS DOUBTS CURRENT IN HIGHER CIRCLES INDONESIAN
GOVERNMENT CONCERNING FUTURE ASSOCIATION WITH U.S.

3. UPON BEING INFORMED OF LOAN APPROVAL, SALIM ASKED WHY EXIM
CONFIDENTIAL

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PAGE 02 JAKART 01644 071028Z

SHARE WAS ONLY 35 PCNT. I EXPLAINED THAT THIS SOLUTION

WORKED OUT WITH AGREEMENT INDONESIAN DELEGATION IN WASHINGTON, AS ALTERNATIVE TO REDUCING NUMBER GROUND STATIONS. SALIM THEN SAID INDONESIA WOULD CERTAINLY USE FINANCING FOR ESTELLITE AND LAUNCHING SINCE THEY HAD NO ALTERNATIVE, BUT HE WAS LESS CERTAIN ABOUT USING US SOURCES FOR GROUND STATIONS. SPREAD OF US COMMERCIAL FINANCING SO FAR OFFERED WAS ABOVE GOVERNMENT LEVELS AND MUCH GREATER THAN EUROPEAN OFFERS. LATTER WERE SUPPORTED BY MUCH GREATER PERCENTAGE OFFICIAL EXPORT CREDITS; RESULT WAS COSTS OF FINANCING AS WELL AS EQUIPMENT DROPPING. FURTHER, INDONESIANS UNCERTAIN ABOUT US ATTITUDES AND WERE SEEKING ALTERNATIVES TO RELIANCE ON US. HE EXPLAINED TELEPHONE PROJECTS ALREADY GIVEN TO EUROPEANS (PHILIPS, BELL (BELGIUM) AND SIEMENS) AND EUROPEANS WERE MAKING ATTRACTIVE OFFERS ON GROUND STATIONS.

4. WHEN I ASKED WHAT WAS CREATING UNCERTAINTIES REGARDING US.; HE SAID, FIRST, THE TRADE ACT. IN THIS AND OTHER MATTERS, US EXECUTIVE APPEARED TO BE FOLLOWING, NOT LEADING CONGRESS. INDONESIA WAS PUT IN SAME BASKET AS RICH OIL STATES AND LITTLE EFFORT APPEARED TO BE MADE TO MAKE CLEAR DIFFERENCES. RESTRICTIONS IN TRADE ACT WERE SERIOUS MATTER FOR INDONESIA SINCE THEY SEPARATED INDONESIA FROM REST OF ASEAN COUNTRIES AND THREATENED TO UNDERMINE THEIR UNITY.

5. SECONDLY, HE SAID, THE DECISION APPARENTLY TO TERMINATE ALL CONCESSIONAL AID TO INDONESIA FAILED TO RECOGNIZE THAT INDONESIA STILL HAD GREAT NEEDS THAT COULD ONLY BE MET BY CONCESSIONAL LENDING. HE SAID WHAT US DID AT NEXT IGGI MEETING WOULD BE VERY IMPORTANT. IMPRESSION WAS GAINING THAT US WOULD SAY IGGI NO LONGER NEEDED SINCE ONLY HARD LOANS NOW REQUIRED.

6. SALIM CONTINUED THAT INDONESIA ALSO CONCERNED AT ATTITUDE OF US TOWARD HARD LOANS FROM INTERNATIONAL LENDING AGENCIES. THERE WAS A FEAR THAT US WOULD NOT ONLY STOP ITS LENDING BUT SEEK TO STOP OTHERS. IN ANOTHER AREA, HE SAID, LAW OF THE SEA, US ATTITUDES APPEARED TO BE OPPOSED TO INTERESTS OF INDONESIA. HE MENTIONED

CONFIDENTIAL

PAGE 03 JAKARTA 01644 071028Z

SHOWA MARU CASE AND ASKED WHAT US POSITION WOULD BE ON TRIPARTITE MEETING.

7. IN RESPONSE TO HIS SEVERAL POINTS, I ACKNOWLEDGED THAT THIS WAS UNCERTAIN TIME IN US BUT SAID I FELT INDONESIAN IMPRESSIONS WERE UNDULY NEGATIVE AND FAILED TO TAKE ACCOUNT OF GENUINE EFFORTS BY EXECUTIVE TO HELP INDONESIA. I SAID I HAD HEARD THAT INDONESIAN DOUBTS

HAD EVEN EXTENDED TO WONDERING WHETHER WE WOULD GO THROUGH WITH LOANS ALREADY COMMITTED. SALIM ACKNOWLEDGED THAT THIS WAS SO.

8. I SAID WE STOOD FULLY BY COMMITMENTS AND THAT I WAS SIGNING IMPORTANT LOAN NEXT DAY. I STRESSED IMPORTANT ACTION IN SECURING \$40 MILLION IN DL THIS YEAR IN FACE ATTITUDES IN US TOWARD OIL PRODUCERS AND HEAVY PRES-SURES ON US AID FUNDS. I OUTLINED STATEMENTS AND EFFORTS EXECUTIVE MAKING TO STUDY AND CHANGE TRADE ACT. I ASSURED HIM THAT, WHILE LOANS WOULD BE LOOKED AT CAREFULLY, THERE WAS NO DECISION TO OPPOSE ALL LOANS TO INDONESIA. LATEST EXIM ACTION AND US SUPPORT FOR JAVA FISHERIES LONA IN ADB WERE EVIDENCES OF THIS.

9. ON LAW OF SEA, I ASKED HIM WHAT HE THOUGHT MIGHT RESULT FROM TRIPARTITE MEETING ON SHOWA MARU CASE. HE SAID IT WAS TOO EARLY TO TELL: "THERE ARE BOTH HAWKS AND DOVES." I THEN OUTLINED SPECIAL US EFFORTS TO REACH AGREEMENT ON ARCHIPELAGO AND STRAITS. ON SHOWA MARU, I SAID WE RECOGNIZED RIGHT OF STATES TO PROTECT ENVIRONMENTAL AND NAVIGATIONAL SAFETY, BUT WE FELT THIS SHOULD BE DONE THROUGH INTERNATIONAL ORGANIZATION SUCH AS IMCO. HE REPLIED THAT SHOWA MARU INCIDENT HAD CHANGED THINGS. THAT WHICH INDONESIA FEARED WOULD HAPPEN HAD HAPPENED. INDONESIA FOUND ITSELF ALONE, FORCED TO PROTECT ITSELF WITH ITS OWN RESOURCES. INTERNATIONAL AGENCIES WERE OF NO HELP. INDONESIA WOULD NOW HAVE TO DEVISE POLICIES ON ITS OWN AND WITH ITS NEIGHBORS WHICH WOULD PROTECT AGAINST SUCH INCIDENTS IN FUTURE.

10. AS FINAL POINT, SALIM RAISED CIVIL AVIATION AND "IMBALANCE" OF PRESENT ARRANGEMENTS WITH PAN AMERICAN. CONFIDENTIAL

CONFIDENTIAL

PAGE 04 JAKART 01644 071028Z

HE SAID US HAD APPARENTLY TURNED DOWN GARUDA CHARTER TO GUAM. WE SAID THIS NOT OUR UNDERSTANDING AND THAT EMBASSY HAS REGULARLY ASSISTED GARUDA WITH THIS MATTER.

11. COMMENT: WHILE MANY OF POLICIES WE ARE CURRENTLY PURSUING WHICH AFFECT INDONESIA MAY BE INEVITABLE UNDER PRESENT CIRCUMSTANCES, MEETING WITH SALIM ILLUSTRATES DRAMATICALLY THAT THEY MAY HAVE SERIOUS IMPACT ON OUR STANDING HERE. WHILE WE MAY LOSE \$1.53 MILLION GROUND STATION CONTRACT BECAUSE OF CHEAPER EUROPEAN TERMS, REDUCED CONFIDENCE IN US IS ALSO FACTOR. FURTHER MESSAGES WILL DESCRIBE MEASURES WE ARE TAKING TO CLARIFY OUR POSITION BUT THEY WILL BE LIMITED WITHOUT SIGNIFICANT CHANGES IN TRADE ACT, SLOWER TEMPO OF AID PHASE OUT, AND CLEAR RECOGNITION IN OUR LOAN POLICY OF MAJOR DEVELOPMENT FINANCING NEEDS OF

INDONESIA.
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